
Housing Committee

HB 2096

Brief Description: Creating incentives to encourage the preservation of manufactured/mobile home communities.

Sponsors: Representatives B. Sullivan, P. Sullivan, Morrell, McCoy, Simpson and Ormsby.

Brief Summary of Bill

- Requires the Department of Community, Trade and Economic Development to accept applications for the purchase and preservation of affordable housing manufactured/mobile home communities on an on-going basis.
- Provides for a state guarantee of bonds issued by the Washington State Housing Finance Commission issued for the purchase and preservation of affordable housing manufactured/mobile home communities.
- Creates a business and occupation tax credit for financial institutions which provide financial assistance to organizations for the purpose of purchasing and preserving affordable housing manufactured/mobile home communities.

Hearing Date: 2/14/07

Staff: Robyn Dupuis (786-7166).

Background:

Manufactured/Mobile Home Communities

Given increasing market demands for land in Washington, particularly in high growth areas, the state has noted a recent increase in the rate of manufactured/mobile home community closures. According to data provided by the Department of Community, Trade and Economic Development (DCTED), 16 manufactured/mobile communities closed during calendar year 2006, the closure of which affected 715 households. Twenty communities are scheduled to close during calendar year 2007, which will affect 627 households. Approximately 1,000 existing parks are located in urban growth areas.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Given the known impending closures, the DCTED estimates that 1,342 households will need to relocate from closing parks in the coming year. There is a Mobile Home Relocation Reimbursement Program operated by the DCTED which provides relocation assistance of \$7,500 for a single wide home and \$12,000 for a double- wide home. There are 213 households currently on the waiting list for relocation assistance with approved reimbursement receipts totaling \$1,807,574.

Housing Trust Fund

The Department of Community, Trade and Economic Development (DCTED) finances housing for low-income persons through its Housing Trust Fund loan and grant program. Eligible activities for Housing Trust Fund assistance include new construction and rehabilitation, rent subsidies, housing related social services, shelters, acquisition of low income housing units and down payment assistance. The provision of loans and grants to eligible organizations for the purchase and preservation of manufactured/mobile home communities is an eligible use of the Housing Trust Fund.

A formal process exists by which eligible organizations may apply for funding from the Housing Trust Fund. Application periods of at least 90 days duration are announced as often as the DCTED deems appropriate (currently twice a year) and applications are accepted and evaluated only during those periods of time. The review process evaluates the merits of a proposal based on need, readiness, capacity of the organization and the proposed project impact. The review process takes approximately 12 weeks.

State General Obligation Bonds

The state of Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the State General Fund and deposits them into the bond retirement funds.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds including bonds back by the full faith and credit of the state.

The state also authorizes state authorities, such as the Washington State Housing Finance Commission (HFC), to issue bonds that are not obligations of the state and are payable only from special revenues of those authorities.

Business and Occupation Tax

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. Different B&O rates are charged to different types of businesses. Financial institutions pay B&O tax at the 1.5% rate on their gross receipts which include interest, commissions earned, dividends

earned, fees and carrying charges, charges for bookkeeping or data processing and safety deposit box rentals.

There are a number of exemptions for specific types of business activities and certain deductions and credits are permitted under the B&O tax statutes. The major B&O tax credits are: (1) rural area application for B&O tax credit on new employees; (2) high technology B&O tax credit; (3) small business B&O tax credit; (4) multiple activities tax credit; and (5) credits for overpayments of taxes. B&O tax credits are claimed on the combined excise tax return remitted to the Department of Revenue (DOR) for the taxpayer's applicable reporting period. Existing B&O credits reduce tax liability on a dollar-for-dollar basis.

Summary of Bill:

Housing Trust Fund - Manufactured/Mobile Home Preservation Effort

In deciding amongst applications for financial assistance from the Housing Trust Fund (HTF), the Department of Community, Trade and Community Development (DCTED) will give priority to applications which utilize existing privately-owned land or housing stock purchased by eligible organizations, including manufactured/mobile home resident organizations organized for the purpose of acquiring the manufactured/mobile home community in which they reside and converting it to resident ownership.

The DCTED will accept applications for loans and grants for the preservation of affordable housing manufactured/mobile home communities* on an on-going basis throughout the year. Projects must demonstrate that the property will be preserved for that purpose for a minimum of 25 years. If a community changes use before that time, the grant or loan recipient organization must repay the full amount of the grant, or principal of the loan, plus interest. Each biennium, up to 10 percent of the available Housing Trust Fund monies may be used for this purpose.

** Affordable Housing Manufactured/Mobile Home Communities are defined as communities where over fifty percent of tenants are low-income or over sixty years of age.*

State Guarantee of Bonds Issued for Manufactured/Mobile Home Communities

Bonds issued by the Housing Finance Commission (HFC) for the purpose of providing loans for the purchase and preservation of affordable housing manufactured/mobile home communities shall state that they are a general obligation of the state of Washington. Should loan recipient organizations default on such loans, the state of Washington is obliged to pay the principal and interest of the loans to the lender.

Business and Occupation Tax Credit for Financial Assistance to Manufactured/Mobile Home Communities

A credit is created for use against B&O tax due for any financial institution which provides financial assistance, in the form of a below-market rate loan or the purchase of bonds issued by the HFC, for the purchase and preservation of an affordable housing manufactured/mobile home community. The tax credit will consist of 10 percent of the total financial assistance provided. The tax credit may only be claimed in the year following the year in which the financial assistance was provided and the credit was pre-approved by the Department of Revenue (DOR). Tax credits may be carried over for up to three subsequent years.

The DOR must pre-approve and approve final tax credit applications on a first-come basis. A limit of \$10 million is imposed as the maximum amount of tax credits the DOR may allow for this purpose in any year.

Financial institutions interested in receiving this tax credit must apply to the DOR for pre-approval before providing the financial assistance. Once receiving the pre-approval, the financial institution must provide the assistance by the end of that calendar year. Once the financial assistance has been made, the financial institution must seek certification from the DCTED or the HFC verifying the amount and terms of the financial assistance and verifying that the assistance was provided to an affordable housing manufactured/mobile home community. This certification must be provided to the DOR by the financial institution when claiming the tax credit. Tax credits must be claimed electronically.

Appropriation: None.

Fiscal Note: Requested on February 13, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.